

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SS-15 SP-02 L-03 NSC-05
CIAE-00 INR-07 NSAE-00 EB-08 STR-07 COME-00 OMB-01
TRSE-00 OPIC-03 IGA-02 MCE-00 /076 W
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R 010102Z FEB 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 4988
INFO AMCONSUL ALEXANDRIA
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY LONDON

C O N N I D E N T I A L SECTION 01 OF 02 CAIRO 03595

DEPARTMENT PASS TREASURY

LONDON FOR KINSOLVING

E.O. 11652: GDS
TAGS: EINV, ETRD, EG
SUBJ: FORD INVESTMENT PROJECT
REF: (A) ALEXANDRIA 0034(NOTAL), (B) STATE 018693(NOTAL)
(C) CAIRO 2958 (NOTAL)

1. SUMMARY. WILLIAMS OF FORD TELLS US HE IS EXPLORING
POSSIBILITY OF COOPERATING WITH ARAB INDUSTRIAL ORGANIZA-
TION (AIO) ON FORD INVESTMENT PROJECT IN EGYPT. AIO
WOULD TAKE EQUITY SHARE IN VENTURE, WHILE PLANT'S TRUCK
PRODUCTION WOULD BE ADAPTED TO MEET AIO REQUIREMENTS. ON
BOYCOTT, FORD WILLING WAIT AND SEE, AT LEAST UNTIL TIME
SOME MONTHS HENCE WHEN MAJOR SPENDING DECISIONS MUST BE
MADE. MEANWHILE, FORD HAS SENT LETTER (DATED JANUARY 16)
TO BOYCOTT AUTHORITIES DESCRIBING EGYPTIAN PROJECT AND
REVIEWING COMPANY'S ACTIVITIES IN MIDDLE EAST, INCLUDING
ISRAEL. END SUMMARY.

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2. FORD MIDDLE EAST AND AFRICA PRESIDENT EDSON WILLIAMS,
ACCOMPANIED BY FORD FINANCIAL EXECUTIVE LINDGREN AND
ACTING MANAGER OF FORD EGYPT MOHAMED ABOU EL ELA,
CALLED ON AMBASSADOR JANUARY 30 TO DISCUSS CURRENT STATUS
OF FORD INVESTMENT PROJECT. WILLIAMS RECALLED THAT DURING
FORD/GOE MEETINGS IN DEARBORN EARLIER THIS MONTH, INVEST-

MENT AUTHORITY DEPUTY CHAIRMAN EL NAZER HAD, AT SUGGESTION OF DEPRIMIN KAISOONI, INTRODUCED IDEA OF POSSIBLE ASSOCIATION WITH AIO IN FORD'S EGYPTIAN VENTURE. ONE OF PRIMARY REASONS FOR HIS VISIT TO EGYPT, WILLIAMS SAID, WAS TO EXPLORE THIS IDEA. EARLIER IN AFTERNOON HE HAD MET WITH AIO CHAIRMAN ASHRAF MARWAN, AN APPOINTMENT ARRANGED BY KAISOONI.

3. UNDER SCHEME AS DISCUSSED, AIO WOULD PROVIDE EQUITY STILL NEEDED FOR FORD PROJECT. MARWAN TOLD WILLIAMS HE WANTED AIO TO HAVE AN INTEREST OF AT LEAST 51 PERCENT. THIS ARRANGEMENT WOULD PRESUMABLY MEAN RESTRUCTURING OF EQUITY SHARES, NOW PLANNED TO BE DIVIDED 40/30/30 AMONG GOE, FORD AND OTHER INVESTORS, RESPECTIVELY. VEHICLES TO BE PRODUCED BY FORD PLANT WOULD BE ADAPTED TO MEET NEEDS OF AIO WHICH, WILLIAMS SAID, HAS BEEN SEEKING JOINT VENTURE PARTNER TO PRODUCE MEDIUM-SIZED RANGE OF TRUCKS FOR ITS OWN USE.

4. WILLIAMS POINTED TO A NUMBER OF ADVANTAGES HE FORESAW IN COOPERATING WITH AIO. CONNECTION WOULD BE HELPFUL WITH RESPECT TO BOYCOTT, SINCE AIO IS MULTI-NATIONAL INSTITUTION AND SEVERAL ARAB COUNTRIES WOULD HAVE A STAKE IN PROJECT'S SUCCESS. MOREOVER, TO EXTENT AIO PRODUCED FOR ITS OWN NEEDS, BOYCOTT SANCTION (BECAUSE OF MILITARY DIMENSION OF THE ORGANIZATION) WOULD NOT APPLY. AIO WOULD .
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ABSORB A SUBSTANTIAL NUMBER OF VEHICLES, WHICH WOULD BE DISTRIBUTED IN ALL AIO MEMBER STATES. THUS, WITH PROSPECT OF SALES TO AIO AND WITHIN EGYPTIAN MARKET, BOYCOTT ISSUE WOULD BE OF MUCH LESS CONCERN.

5. IF AIO FINANCING NOT PRACTICABLE, WILLIAMS SAID, NEXT ALTERNATIVE WOULD BE DISCUSSION WITH SAUDIS ABOUT POSSIBLE SAG INVOLVEMENT (IT WAS NOT CLEAR PRECISELY HOW) IN FUNDING PROJECT. ACCORDING WILLIAMS, SECRETARY BLUMENTHAL DURING LATE 1977 VISIT TO KINGDOM, HAD, AT WILLIAMS' REQUEST, RAISED WITH SAUDI MINFIN ABA AL KHAIL THE QUESTION OF POSSIBLE SAG PARTICIPATION IN PROJECT AND HAD GOTTEN WHAT APPEARED BE POSITIVE RESPONSE. THIRD, AND MUCH LESS DESIRABLE OPTION WOULD BE TO OBTAIN THE ADDITIONAL EQUITY FROM ARAB INVESTMENT COMPANY OR SIMILAR INSTITUTION.

6. WILLIAMS SAID THAT NOTHING DEFINITE HAD BEEN DECIDED UPON DURING THIS TRIP WITH RESPECT TO AN ASSOCIATION WITH AIO. FORD WAS STUDYING AIO TRUCK SPECIFICATIONS (WHICH, WITH A FEW MODIFICATIONS APPEAR, HE INDICATED, TO BE SIMILAR TO TYPE OF TRUCK FORD PLANS PRODUCE) AND AIO

WOULD LOOK MORE CLOSELY AT DETAILS OF FORD PROJECT.
THERE WOULD BE FURTHER DISCUSSIONS BETWEEN PARTIES IN
NEAR FUTURE.

7. AMBASSADOR, IN COMMENTING ON AIO CONNECTION,
ACKNOWLEDGED ITS POTENTIAL ADVANTAGES AND SAID HE HAD
GOOD OPINION OF MANAGERIAL CAPABILITIES OF AIO CHAIRMAN
MARWAN AND HIS STAFF. AMBASSADOR SUGGESTED, HOWEVER,
THAT FORD DISCUSS WITH APPROPRIATE OFFICES OF DEPARTMENT,
ANY POSSIBLE MUNITIONS CONTROL ASPECTS OF AN ASSOCIATION
WITH THE ORGANIZATION.

8. FURTHER ON BOYCOTT QUESTION, WILLIAMS SAID HE UNDER-

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COME-00 OMB-01 OPIC-03 IGA-02 MCE-00 /076 W
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C O N F I D E N T I A L SECTION 02 OF 02 CAIRO 03595

DEPARTMENT PASS TREASURY

LONDON FOR KINSOLVING

STOOD THAT RECENT POLITICAL EVENTS MADE ANY RESOLUTION OF
PROBLEM DIFFICULT AT THIS TIME, AND HE IS NOT PUSHING THE
ISSUE. KAISOUNI HAD INDICATED FORD MIGHT SOON BE
AWARDED LARGE CONTRACT TO SUPPLY VEHICLES FOR EGYPTIAN
POLICE. IF THIS ARRANGEMENT IS WORKED OUT, IT WOULD BE
USEFUL INTRODUCTION TO MARKET AND WOULD REPRESENT AT
LEAST A SMALL CRACK IN BOYCOTT WALL. FOR ITS PART, FORD
IS PREPARED TO GO AHEAD WITH PLANS FOR IMPLEMENTING
PROJECT (E.G., COMPLETING STUDIES, HIRING PERSONNEL,
MAKING ADMINISTRATIVE ARRANGEMENTS) UP TO POINT--PROBABLY

SEVERAL MONTHS AWAY-- WHEN DISBURSEMENT OF SUBSTANTIAL SUMS WOULD BE REQUIRED TO CONTINUE. AT THAT TIME, COMPANY WOULD HAVE TO ASSESS ITS POSITION.

9. MEANWHILE, FORD HAS TAKEN STEP OF SENDING TO VARIOUS NATTIONAL BOYCOTT OFFICES, AS WELL AS TO COMMISSIONER MAHGOUB AT CENTRAL BOYCOTT OFFICE IN DAMASCUS, A LETTER
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(SEE REF A), DATED JANUARY 16, OUTLINING FORD'S PLANS FOR EGYPTIAN PROJECT AND DISCUSSING COMPANY'S ACTIVITIES IN MIDDLE EAST, INCLUDING ISRAEL. (COPY OF FORD LETTER, WHICH WE RECEIVED BY MAIL FROM LONDON AFTER CLOSE OF CONVERSATION WITH WILLIAMS JANUARY 30, BEING POUCHED NEA/EGY-KENNEDY). WILLIAMS SAID LETTER HAD BEEN HAND DELIVERED TO MAHGOUB BY FORD MIDDLE EAST/AFRICA REP OUROUSSOFF (FORMERLY CHAIRMAN OF FORD EGYPT). MESSAGE APPEARED TO HAVE HAD POSITIVE EFFECT, ACCORDING WILLIAMS. HE SAID FORD LETTER HAD BEEN REVIEWED AND CLEARED BY KAISOUNI, PRIMIN SALEM, AND NEW GOE FONMIN KAMEL.

10. COMMENT: FORD PROJECT APPEARS STILL TO BE MOVING, ALTHOUGH, AS WILLIAMS NOTED, TIME HAS NOT YET COME FOR COMMITMENT OF LARGE SUMS. FOR THE MOMENT FORD, AND, AS FAR AS WE ABLE DISCERN, GOE APPEAR TO BE SATISFIED TO MAKE PROGRESS RELATIVELY SLOWLY, WHILE KEEPING CLOSE EYE ON POLITICAL EVENTS. EILTS

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TAGS: EINV, ETRD, EG, FORD MOTOR CO
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